

31 March 1981

NOTE FOR: EO/DCI/ICS

1. Attached find a copy of the memorandum which [] wrote to wrap up the Rand Life Cycle Cost Study. 25X1

2. Please note that it was written prior to my staff procedure on the termination of contractual arrangements (6 October 1980).

cc: []

Attachment
A/S



25X1

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INFORMATION

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Approved For Release 2005/01/10 : CIA-RDP83M00171R000700160001-3

DCI/RM-80-2257
22 September 1980

25X1 MEMORANDUM TO:
Deputy to the DCI for Resource Management

25X1 VIA: *act*
Director, Program Assessment Office, RMS

25X1 FROM:
Program Assessment Office, RMS

SUBJECT: Final Technical Review of Rand Life Cycle Cost Study ☐ 25X1

1. Purpose of the Study

On the basis of previous studies and our own experience RMS concluded that an examination of the total cost to the NFIP of various collection systems would be very useful to RMS.

Recommendations were also sought as to whether a cost group should be established in RMS.

Rand was chosen to do the work because they were in the process of completing a study of the NFIP budget process and it was expected that the familiarity gained from that effort would give them a headstart on a study of life cycle costs in the NFIP. ☐ 25X1

2. Results of the Study

The final report contained some interesting cost summaries for the four collection systems that they examined. For example, their analysis revealed that the proportional costs for major elements of four very different collection systems are surprisingly constant. A summary of the major changes to each system was also included.

A brief discussion of the possibilities for an RMS cost group concluded by recommending that a small version of such a cost group be established.

The primary purpose of the study, life cycle costing of four collection systems, was found to be infeasible because cost records were inadequate for this purpose and the effects of collection systems on production operation, were very difficult to identify.

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3. Assessment

It is apparent with hindsight that a cost study that compared planned costs with actual expenditures would have been more useful for NFIP planning. If this could be framed in life cycle terms, so much the better, but learning this is in itself a valuable consequence of the study, not a criticism of Rand.

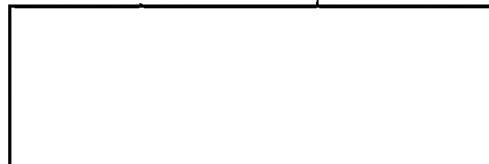
The Rand appraisal of the cost assessment group is disappointing in that it stops short of explicitly discussing the problems to be overcome and the procedures and methods to be developed. It also assumes that the only cost estimating of interest is life cycle costs. RMS might want a less grand capability (e.g., the ability to roughly validate cost estimates as either consistent with past estimates or with established rules of thumb. ☐

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4. Recommendation

That copies of the Rand report be distributed to those who contributed to it. ☐

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DCI/RM/PAO ☐
(19 September 1980)

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